

At a Glance

Processed Foods Business Division

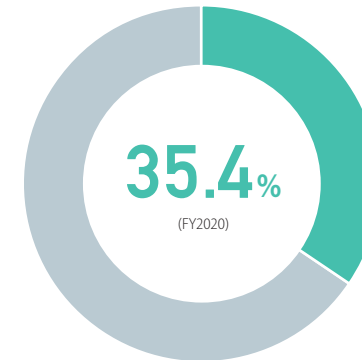
Review of the fiscal year ended March 31, 2021

The net sales of the Processed Foods Business Division in the fiscal year ended March 2021 were 1.9% lower year on year at ¥489.4 billion, but business profit increased by 34.5% to ¥18.0 billion.

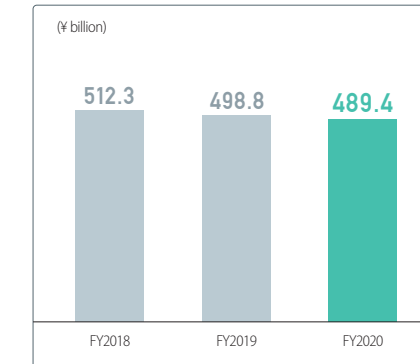
Sales of consumer products exceeded the previous year's level because of increased demand for home meals during the COVID-19 pandemic. However, stagnating demand for restaurant meals caused a downturn in sales of commercial products, resulting in a decline in the net sales of the Processed Foods Business Division. Despite slower sales of commercial products, strong sales of *Schau Essen* and other flagship brands lifted ham and sausage sales above the previous year's level. Similar market conditions caused declines in net sales in the Processed Foods, Dairy Products, and Marine Products segments.

Profit benefited from improvements in unit selling prices and gross profit margins due to increased sales of flagship brand products. Reductions in selling, general and administrative expenses and other cost items also contributed to profit growth.

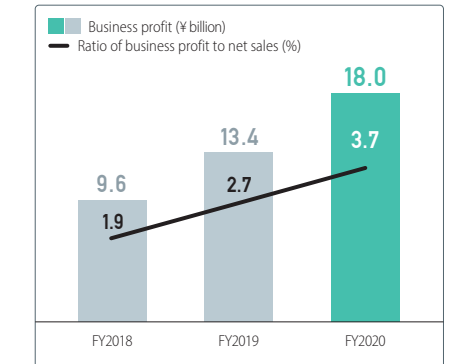
Breakdown of net sales



Net sales



Business profit, ratio of business profit to net sales



Fresh Meats Business Division

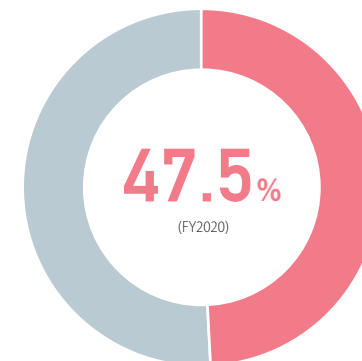
Review of the fiscal year ended March 31, 2021

The net sales of the Fresh Meats Business Division in the fiscal year ended March 2021 declined by 4.2% year on year to ¥656.7 billion, but business profit was 28.8% higher at ¥41.2 billion.

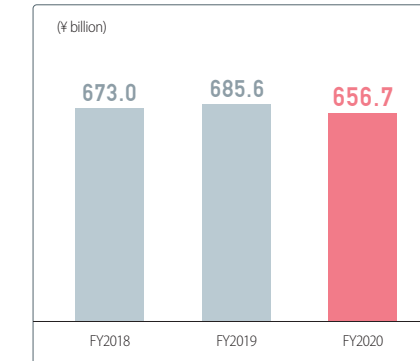
Increased demand for home meals drove higher sales of domestic chicken and pork, but demand from restaurants and wholesalers, especially in the imported meat category, failed to recover, resulting in lower sales.

Production-related factors that contributed to profits included productivity improvements, and an increase in the number of chickens shipped in Japan. Firm trends in the market prices of domestic chicken and pork also contributed. Sales operations were affected by increased purchasing in China and the temporary closure of overseas supply plants due to COVID-19. However, we were able to offset these factors and maintain procurement and sales operations thanks to our robust procurement network. Profit was further boosted by our proactive response to demand changes, including expanded marketing of branded fresh meat products and home-use grilled meat ingredients.

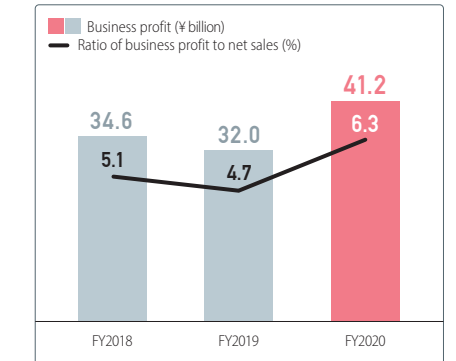
Breakdown of net sales



Net sales



Business profit, ratio of business profit to net sales



Overseas Business Division

Review of the fiscal year ended March 31, 2021

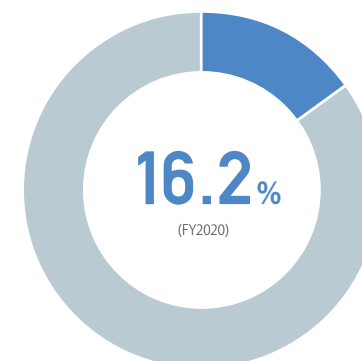
The net sales of the Overseas Business Division declined by 12.2% year on year to ¥223.6 billion, and there was a business loss of ¥0.1 billion, compared with a business profit of ¥1.9 billion in the previous fiscal year.

Revenues from our business operations in Europe and Asia declined due to a continuing downward trend in exports from Thailand to Japan due to the effects of the COVID-19 pandemic. Profit was lower, in part because of lower selling prices and soaring feed prices in Turkey.

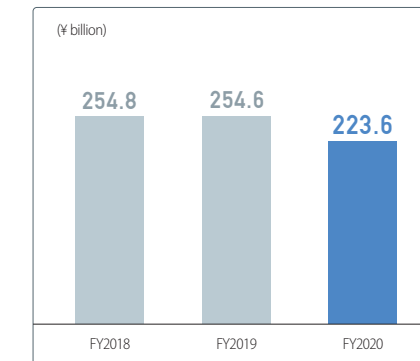
Both revenues and profits from our business in the Americas increased, thanks to firm trends in the volume of pork exported from the United States to Japan, and strong sales of processed foods in mass-sales outlets.

Profits from our business in Australia benefited from the stabilization of the cattle collection price in Uruguay in the second half of the fiscal year, as well as a recovery trend in the unit price for sales to China. However, total sales and profits were lower because of a decline in the number of cattle collected in Australia, and a global downturn in sales prices.

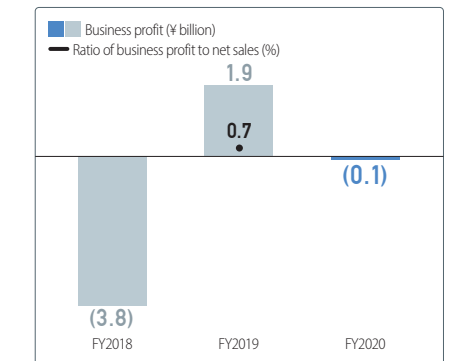
Breakdown of net sales



Net sales



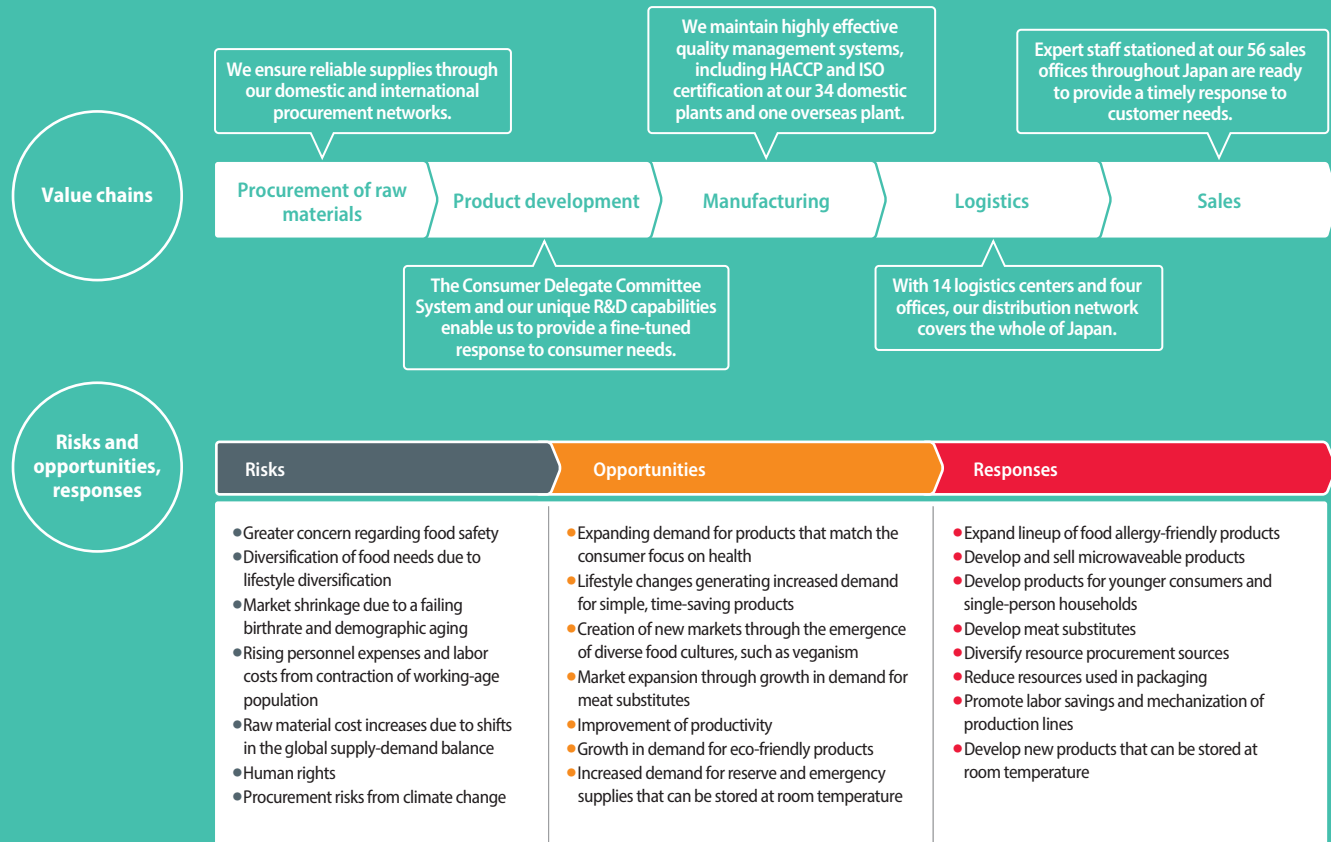
Business profit, ratio of business profit to net sales



Processed Foods Business Division

We will focus on productivity and profitability improvement, and the development of products to meet market needs.

Nobuhisa Ikawa
Representative Director,
Executive Vice president



Review of Medium-Term Management Plan 2020 and policies under Medium-Term Management Plan 2023

Policies under Medium-Term Management Plan 2020	Emergence from low-profit structure <ul style="list-style-type: none"> Strengthening product development capabilities through site-oriented marketing Redefining the cost structure through a fundamental review of the existing framework Persevering with a positive, challenge-embracing spirit and self-responsibility
Results and priorities under Medium-Term Management Plan 2020	<p>Results</p> <ul style="list-style-type: none"> Achievement of three-year cumulative profit target for the pre-merger Processed Food Business Division Improvement of profitability through the expansion of flagship brands, leading to the improvement of the product mix <p>Priorities</p> <ul style="list-style-type: none"> Create hit products Improve productivity and maximize synergies from an all-company optimization perspective Balance business with social needs
Policies under Medium-Term Management Plan 2023	Work to increase corporate value by contributing to society through the creation and provision of new value <ul style="list-style-type: none"> Reorganize manufacturing structures from a company-wide perspective to build the infrastructure needed to create hit products and improve profitability Increase corporate value through the development of our business activities, including the reduction of our environmental impact

Focus on profitability

Under Medium-Term Management Plan 2020, we worked to improve profitability by enhancing our product development capabilities and implementing cost structure reforms.

Initiatives to improve our product development capabilities resulted in the extension of our flagship *Schau Essen* brand. We were also able to build our customer base in younger generations by introducing microwavable products in response to strong consumer demand. The activities of the Processed Food Business Division have traditionally focused mainly on ham, sausages, and deli products. Since the previous fiscal year, however, we have also worked to increase added value and eliminate duplication by integrating the seafood, cheese, yogurt, extract, and primary processing businesses into the Processed Food Business Division in order to combine our advantages in both areas. Specifically, we have leveraged the strengths of our business divisions and companies, including their sales channels, marketing and development capabilities, and logistics systems, to market products under the Nippon Ham brand as a single business division.

Cost structure reforms resulted in the improvement of profitability and productivity through the introduction of automated machinery, changes to factory operations. We also implemented measures to reduce total costs at our main factories.

We are also developing product exports and imports in anticipation of moves toward free trade. For example, we export *Schau Essen* products to Singapore and import *Stock Pork*. From an environmental perspective, we worked to reduce the weight of product ingredients, and to develop and sell plant-based meat substitutes as a new source of proteins.

The financial results show that while overall net sales from our processed food operations tended to decline, operating profits followed a positive trend, with the result that the three-year cumulative total reached the initial target ¥33.5 billion.

Overview of Medium-Term Management Plan 2023

Summary of strategies

Increased focus on customer-centered product development, further improvement of profitability

1. Strengthen existing areas and take on challenges in new areas	<ul style="list-style-type: none"> Expansion of existing brands and developing brands Initiatives in new areas, such as extract flavorings and soy meat Shift away from product-centered thinking
2. Enhance productivity in manufacturing plants	<ul style="list-style-type: none"> Reconstruction and standardization of manufacturing systems Realization of synergistic effects Countermeasures against rising raw material prices Improvement of productivity through centralized production of flagship brand products Production leveling through investment in labor-saving and rationalization measures
3. Solve social issues and improve profitability	<ul style="list-style-type: none"> Environmental responses Co-creation and shared prosperity with local communities and society as a whole through food and sports Addressing food diversity and health issues Reduction of food losses and plastic use Food education activities in local communities Addressing food allergies

Increased focus on customer-centered product development, further improvement of profitability

Under Medium-Term Management Plan 2023, we will pursue business strategies focused on three core goals—to strengthen existing areas and take on challenges in new areas, to enhance productivity in manufacturing plants, and to solve social issues and improve profitability.

Strengthen existing areas and take on challenges in new areas

Efforts to enhance existing business areas relating to consumer products will center on the expansion of sales of *Schau Essen*, *Ishigama Kobo*, *Chuka Meisai*, *Kiwami-yaki Hamburg*, *NatuMeat*, *Chuka no testujin Chen Kenichi*, *Vanilla Yogurt*, and *Sutamina-en*. We are also considering sales of *NatuMeat* in overseas markets in collaboration with the Overseas Business Division.

In the area of commercial products, we aim to achieve differentiation by leveraging the sales channels and raw materials developed by our businesses and companies engaged in the processed food business.

Our challenge in new business areas is the creation of major new income streams through three initiatives.

First, we aim to expand our range of products that can be stored at room temperature in order to reduce food losses. We will develop

new products that offer uniquely delicious flavors, while also prioritizing the creation of sales outlets.

Second, we will implement R&D projects focusing on plant-based proteins to provide new protein options.

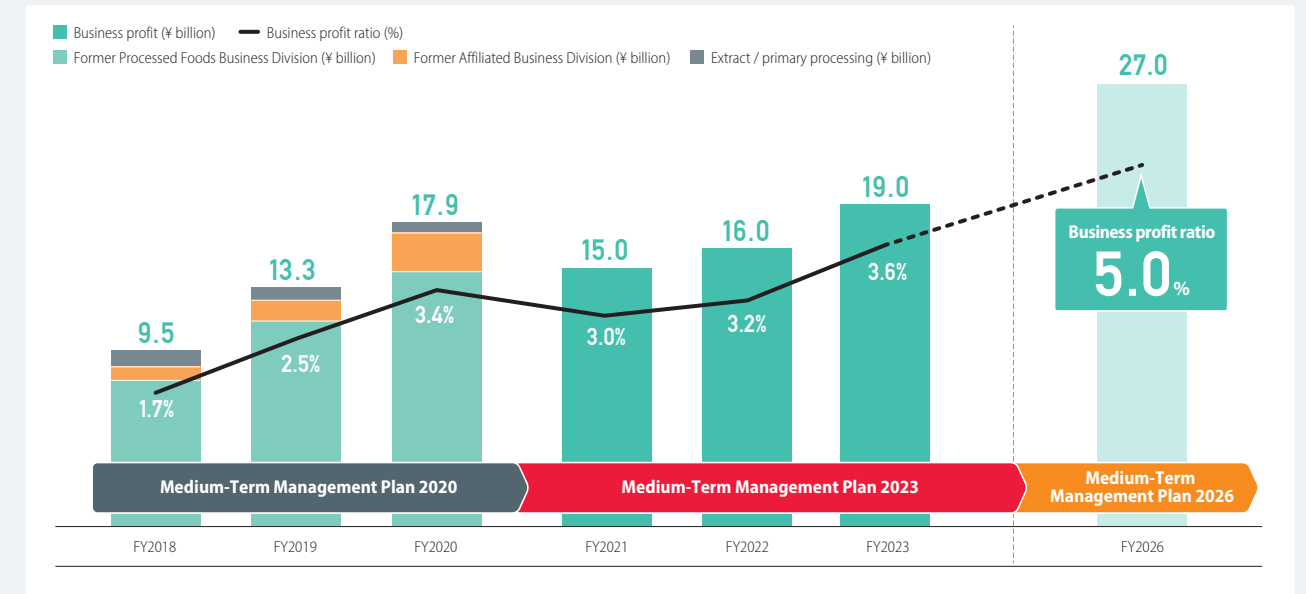
Third, we will expand our range of flavoring extracts, while also developing and expanding new sales channels.

All of these measures will depend on our marketing capabilities. We will shift away from our traditional product-centered thinking toward a market-focused approach. We also use digital technology to obtain and analyze consumer input so that we can work toward our goal of developing and expanding NH-style marketing processes based on consumer perspectives, leading to the creation of hit products.

To move forward with these reforms, the Processed Food Business Division must maintain its spirit of challenge and to avoid satisfaction with the status quo. An initiative that symbolizes our readiness to challenge preconceived notions was the Young Employees' New Product Proposal Forum in July 2021, at which 25 young development workers from our factories presented their own original product ideas.

We will continue this initiative, which we see as a way of strengthening motivation toward product development, while also creating future hit brands and new categories, by marketing the best proposals as new products.

Management targets



Enhance productivity in manufacturing plants

We will continue our efforts to restructure and standardize our manufacturing systems. We will work toward these goals through the optimization of our production structures, including mechanization, the centralization of production sites for flagship products. Other priorities include the realization of returns on our investment in production lines, and the use of digital technology to improve productivity.

Solve social issues and improve profitability

We will pursue initiatives to realize our materiality through business activities.

We will respond to dietary diversification and health needs by helping people to cope with allergies and avoid frailty as they grow older.

We will contribute to global environmental sustainability by continuing our efforts to reduce packaging use, CO₂ emissions, and food waste. Specifically, we will eliminate plastic containers and trays as soon as possible by improving packaging, and changing "best before" date labels. We will reduce food losses through the expansion of our range of foods that can be stored at room temperature.

Another priority is the reliable procurement and supply of protein, which we will achieve by strengthening existing business areas and taking up challenges in new areas. We also aim to achieve cocreation and coprosperity with communities and society through

food and sport by making contributions in such areas as food education activities, the donation of products and ingredients to food banks, and participation in community events.

Respond to the changing needs of society by creating new food culture and taking up the challenge of providing new value through protein.

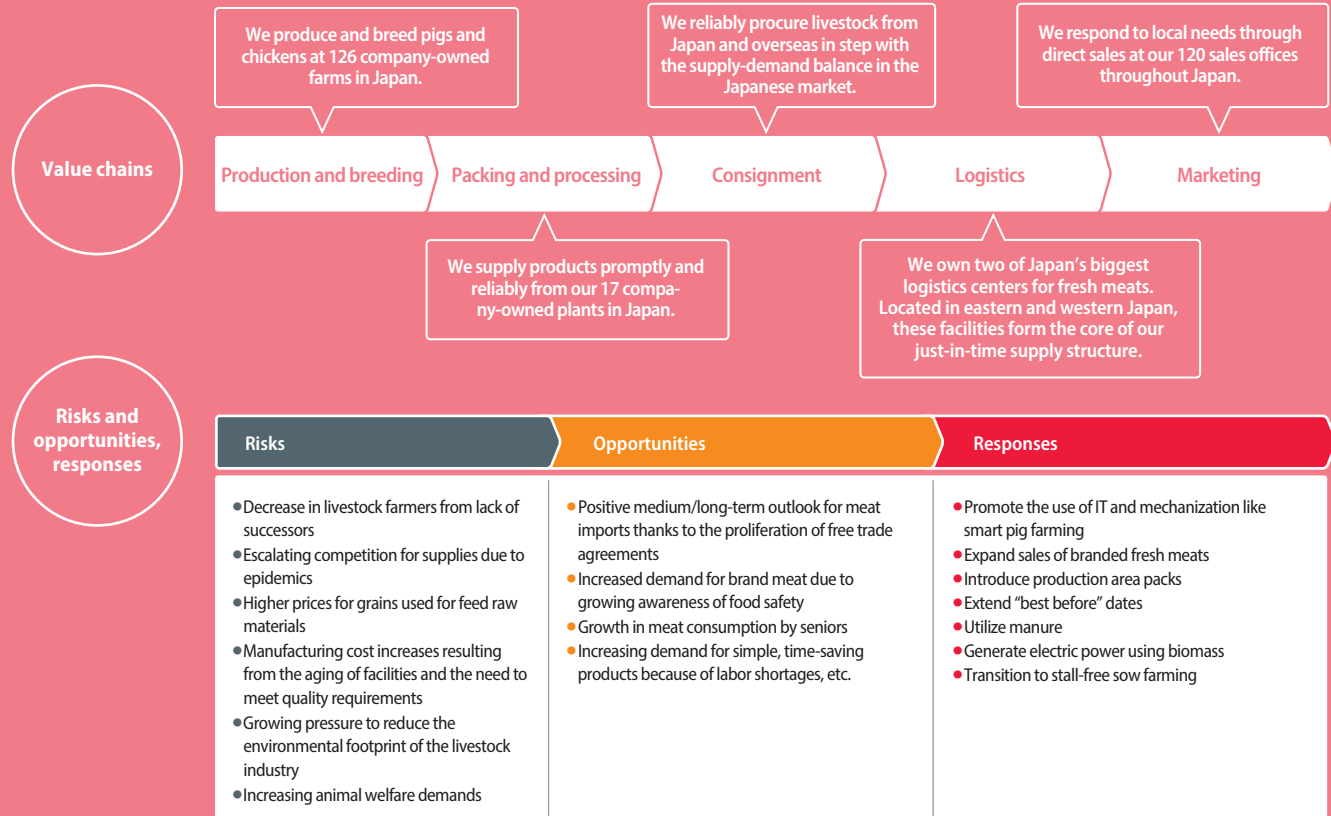
The Processed Food Business Division has provided new value in the form of a wide variety of key brand products through our processed food business, including ham, sausages, and processed foods, under the Nippon Ham brand, as well as cheese, seafood, and other products under the brands of group companies. Recognizing that the improvement of our brand image will lead directly to the improvement of corporate value, we will work toward the realization of Vision2030 by fulfilling our responsibility to supply safe, dependable products reliably, and by creating ever more delicious and palatable protein products through product development from the consumer's perspective.

Fresh Meats Business Division

We aim to expand our market share and profits by strengthening our procurement and sales capabilities.

Tetsuhiro Kito

Representative Director, Executive Vice President, and General Manager of Fresh Meats Business Division



Review of Medium-Term Management Plan 2020 and policies under Medium-Term Management Plan 2023

Policies under Medium-Term Management Plan 2020	<p>Prepare for changes in the environment and create a business environment for growth</p> <ul style="list-style-type: none"> Reinforce integration Production system with balanced supply and demand
Results and priorities under Medium-Term Management Plan 2020	<p>Results</p> <ul style="list-style-type: none"> Expanded supply capacity through prioritized investment in upstream businesses Increased profitability by expanding sales of highly profitable brand meat Recovered to the ¥40.0 billion level of business profit by responding to increased demand in the volume retailer channels, despite the COVID-19 pandemic <p>Priorities</p> <ul style="list-style-type: none"> Priorities need for further improvement of the brand ratio Continuing investment, including measures to address the aging of production and processing facilities, improvement of production indicators
Policies under Medium-Term Management Plan 2023	<p>Establish a sustainable value chain based on strong integrations</p> <ul style="list-style-type: none"> Strengthen procurement by improving productivity and deepening relationships with external partners Strengthen sales through the expansion of brand meat and capture focused channels Promote environmental responsiveness and develop brands that enhance social value

Enhance earning power through the development of upstream businesses and improve profitability by developing products and nurturing brands.

Under Medium-Term Management Plan 2020, we accelerated our efforts to strengthen the business structures that support our capacity to supply sustainable meat reliably, and to drive our evolution as a business entity capable of earning even greater support from our customers and consumers.

In the fiscal years ended March 2019 and March 2020, these efforts yielded the results anticipated in the plan. However, the impact of COVID-19 caused progress to slow in the fiscal year ended March 2021. Our sales shares in three years were 20.1%, 20.8%, and 20.0% respectively, while operating profit exceeded ¥100 billion but failed to reach the target.

Initiatives to improve productivity and profitability during the three-year period included upstream business development, the expansion and stabilization of logistics functions, and the expansion of production capacity. These efforts resulted in improved earnings.

Specifically, investment in chicken production and processing facilities in Japan allowed us to maintain high levels of profit and profitability across the entire value chain. We worked to maintain our production systems for domestic pork while improving our in-house

production indicators. We also improved our profitability by expanding sales of domestic pork and chicken produced in house and sold under our brands, and by responding to increased demand for meat for home consumption due to COVID-19.

Our efforts to address social issues during the plan period included social welfare initiatives, such as the supply of meat for "Kodomo Shokudo." Activities focused on animal welfare included the progressive introduction of free-access stalls for sows at our domestic pork manufacturing operations.

From an environmental perspective, we are working to reduce CO₂ emissions. We are also making effective use of waste from pigs, chickens, and other livestock by processing these materials in fertilizers. The Nippon White Farm Group uses chicken manure as a thermal resource by burning it in boilers to provide heating for chicken sheds and hot water for cleaning. The Interfarm Group uses pig manure to produce organic fertilizers through an organic breakdown process using bacteria.

Our procurement and marketing capabilities are the source of our competitiveness. We see improvement in these areas as the key to future growth.

Overview of Medium-Term Management Plan 2023

Summary of strategies

Aiming for a 25% market share in fiscal 2030, strengthen procurement and sales capabilities

1. Strengthen procurement capabilities	<ul style="list-style-type: none"> • [Domestic beef] Externalize assets and collaborate with external partners • [Domestic pork] Improve in-house production indicators and strengthen external partnerships • [Domestic chicken] Strengthen procurement by both strengthening in-house / using external partners • [Importing] Strengthen ties with existing overseas major suppliers and improve quality and standards. Expand procurement routes by new countries to diversify risks
2. Strengthen sales capabilities	<ul style="list-style-type: none"> • Expand market share and improve profitability through focused channel strategies • Gain competitiveness and improve gross profit through branded meat and value-added products • Strengthen marketing to formulate and implement sales policies

Further expanding our leading share of the fresh meat market through the enhancement of procurement and marketing capabilities

Under Medium-Term Management Plan 2023, we will formulate and pursue individual strategies centering on the enhancement of procurement and marketing capabilities.

Strengthen procurement capabilities

We will enhance our procurement capabilities by securing access to supplies in ways that minimize costs, including the use of external procurement. We will also maintain and strengthen our supply capacity by preparing for sudden environmental changes in Japan and overseas.

In the Japanese fresh meat market, we aim to secure reliable access to supplies by improving productivity at our own farms, and by strengthening collaboration and forming partnerships with suppliers outside of the NH Foods Group.

Our priorities for our fresh meat importing business are to ensure high quality and reliability of access by strengthening our collaboration with existing suppliers, and by developing sources in new countries. We will first expand procurement from existing suppliers through collaboration with the overseas subsidiaries of the Overseas Business Division. The next step will be to assign personnel to local beef and pork packers to provide training for employees of local subsidiaries. The aim of these measures is to ensure

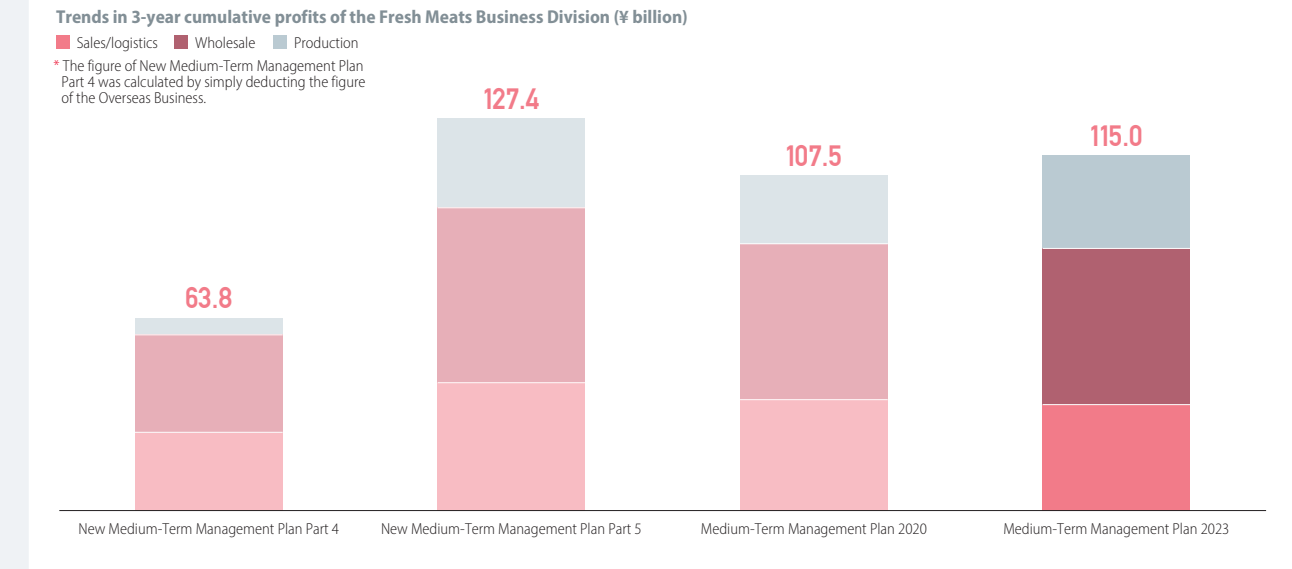
consistently high quality and compliance with standards as part of efforts to develop products for the Japanese market. We will develop and expand sources in new countries as a way of spreading risk. The process will begin with surveys to ascertain the potential for importing.

We will also strengthen the trading capabilities of Japan Food Corporation. We will implement a comprehensive range of measures designed to enhance the company's information gathering and survey capabilities and revitalize other aspects of its activities, including the transfer of personnel to other countries.

We anticipate continuing rapid changes in the business environment for the fresh meat business. In addition to the impact of COVID-19, the supply-demand balance in domestic and overseas markets could be disrupted by outbreaks of livestock diseases in Japan, fluctuations in livestock and feed prices due to climate change, the expansion of free trade agreements, increasing demand in emerging countries, and other factors.

Under Medium-Term Management Plan 2023, we plan to invest ¥78.1 billion in the fresh meat business. We will invest strategically in the development of sustainable value chains. Investments in productivity improvements and automation, including the development of new farms and processing line rationalization projects, will lead to improved earnings. Because investment precedes profit growth, we will implement our strategies carefully while focusing on ROIC to ensure expenditure is linked as efficiently as possible to profits.

Management targets



Strengthen sales capabilities

We will strengthen sales capabilities by enhancing our capacity to respond to needs through priority channels based on the sales networks and customer response and marketing capabilities of our food companies, which have always been a key strength of the NH Foods Group.

Our strategies targeting priority channels reflect the attributes of each channel, including market size, growth potential, and our market share. We plan to pursue strategies targeting each of these channels, starting with the ones that offer the greatest scope for further expansion of our market shares, such as mass-sales outlets, restaurants, cooperative societies, drugstores, convenience stores, and e-commerce outlets.

We also aim expand markets for fresh meats in general and wagyu beef in particular by working with NH Foods Group companies and other cooperating companies to increase exports to North America, Europe, Asia, and other regions.

We will increase our focus on differentiation based on added-value products, including the development and popularization of brand meat. We will work with feed and machinery manufacturers on the development of added-value products. We will also engage in industry-academia collaboration on the development of products from ESG and animal welfare perspectives.

Through our brand strengthening initiatives, we will work to build recognition of all Fresh Meats Division brands. Another priority will be

brand manager training. We will also strengthen individuals through training and the optimization of functional deployments. In addition, the Fresh Meats Marketing & Promotion Department will become the hub for collaboration with other units within the company.

Build sustainable value chains as the leading company in the fresh meats business.

The NH Foods Group supplies around one-fifth of fresh meat sold in Japan and makes a vital contribution to food infrastructure. Our mission, as stated in our materiality, is to procure and supply protein reliably. As the leading company in the fresh meat business, we aim to contribute to the development of a sustainable society with low environmental impacts by building sustainable value chains. We will also help to improve the sustainability of livestock farming in general by offering solutions to issues affecting the industry.

As in the previous year, we will continue to supply food to children's cafeterias and run food education programs as part of our contribution to Co-creation and shared prosperity with local communities and society as a whole through food and sports.

We remain firmly committed to the creation of new value by reliably supplying consumers with products that help them to enjoy good health and the joy of eating, and by supporting local communities.

Overseas Business Division

We aim to strengthen our earnings base and expand sales.

Nobuo Oda
Managing Executive Officer



	Processed foods	Fresh meats	Trading	
ASEAN	NH Foods Vietnam Joint Stock Company / NHF Manufacturing (Malaysia) Sdn.Bhd. / PT NH Foods Diamond Indonesia / Shandong Rilong Foodstuffs Co., Ltd. / Pure Food Asia, Inc. / Thai Nippon Foods Co., Ltd. / Thai Nippon Cold Storage Co., Ltd.		Nippo Food Co., Ltd. / NH Foods (Thailand) Ltd. / NH Foods Singapore Pte. Ltd. / NH Foods Taiwan Ltd.	Local sales Exporting to third countries Exporting to Japan
Oceania		Whyalla Beef Pty. Ltd. / Thomas Borthwick & Sons Pty. Ltd. / Oakley Beef Exports Pty. Ltd. / Wingham Beef Exports Pty. Ltd.	NH Foods Australia Pty. Ltd. / Beef Producers Australia Pty. Ltd.	
Europe			NH Foods U.K. Ltd.	
North America	Redondo's	Day-Lee Foods, Inc.		
South and Central America		Breeders & Packers Uruguay S.A.	NH Foods Chile Y Compania Limitada / NH Foods Mexicana S.A. DE C.V.	
Middle East		Ege-Tav Ege Tarm Hayvancılık Yatırım Ticaret ve Sanayi Anonim Şirketi		

Main overseas group companies

Risks and opportunities, responses

Risks	Opportunities	Responses
<ul style="list-style-type: none"> Higher prices for grains used in raw feed Decrease in livestock farmers from lack of successors Escalating competition for supplies due to epidemics Rising production costs due to aging facilities and more stringent quality measures Expanding demand for religious foods due to growth in the number of foreign workers and other factors Growing pressure to reduce the environmental footprint of the livestock industry Increasing animal welfare demands 	<ul style="list-style-type: none"> Increased demand for meat due to global population growth Increased needs for Japanese diet from heightened health consciousness Resurgence of new markets for processed foods in response to lifestyle changes [Tentative] Positive medium/long-term outlook for meat imports thanks to the proliferation of free trade agreements 	<ul style="list-style-type: none"> Upgrade feed plants in Australia Workplace experiences and tours for local residents and students, etc. Development of future generations of farmers and manufacturing workers through worksite visits Strengthen disease prevention systems on farms and in production and breeding facilities Extend "best before" dates by enhancing production and preservation technologies Promote cyclical conservation-oriented agriculture

Review of Medium-Term Management Plan 2020 and policies under Medium-Term Management Plan 2023

Policies under Medium-Term Management Plan 2020	Net sales expansion and profit stabilization <ul style="list-style-type: none"> Expand sales and profit by building value chain Overall optimization of global beef business
Results and priorities under Medium-Term Management Plan 2020	Results <ul style="list-style-type: none"> Australia: Achieved an earnings turnaround thanks to reform project. Uruguay: Rebuilt the business environment. Americas: Improved of earnings through the expansion of processed food sales. Asia: Expanded the processed food business, especially in Asia. <hr/> Priorities <ul style="list-style-type: none"> Review of business portfolio→Increase sales of processed food products to reduce volatility Evolution of sales to Japan <ul style="list-style-type: none"> →Strengthen sales to Japan, both in terms of raw materials and processed food products, in response to technological innovation and changes in tariffs
Policies under Medium-Term Management Plan 2023	Establish growth models <ul style="list-style-type: none"> Stabilize profit in existing businesses Expand sales of processed food products in North America and the ASEAN region Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas

Drive further evolution of reform projects and pursue an expansion strategy encompassing the Entire Overseas Division.

Net sales reached only 81% of the target level under Medium-Term Management Plan 2020 due to a global slump in restaurant demand due to the COVID-19 crisis, and the deterioration of the cattle collection environment in Australia. Business profit substantially exceeded the target for the year ended March 2021, thanks to increased demand for home-cooked and prepared foods and strong sales of processed foods during the COVID-19 pandemic. However, the target under Medium-Term Management Plan 2020 was not achieved because of fluctuations in market prices, exchange rates, and other factors.

Our Australian business, which produces, processes, packs, and sells beef, accounts for almost one-half of sales from our overseas business. Stagnating sales since the year ended March 2019 have affected the overall performance of the Overseas Business Division. Fluctuations in the beef market directly impact on the performance of our overseas business. We worked to break out of this situation by focusing on branding and the expansion of sales of added-value

products by our Australian business through the optimal use of existing value chains. We leveraged technology developed for the *Nature's Fresh* and *Omugi-gyu* brands, which we created for the Japanese market, to expand sales of Angus Reserve, while using the *Joy of Eating* tag line to raise awareness of our corporate philosophy and enhance our brand image. We also took steps to improve profitability and productivity, including capacity expansion at feed plants, and the automation of shipment processes at processing facilities.

Portfolio changes resulted in the restructuring of overseas sales offices, including the closure of three offices. In addition, we decided to sell the processed food business of NH Foods Mexicana (Mexico), and to reorganize our business operations in Thailand, especially the three manufacturing companies. In Uruguay, we strengthened our capacity to market products in the expanding Chinese market by appointing a staff member to work exclusively on the Chinese business. We also made changes to quality control systems with the aim of strengthening sales to Japan. These measures laid the foundations for the extension of the Australia Project to other countries.

Overview of Medium-Term Management Plan 2023

Summary of strategies

Transform our business model by clarifying functions across our entire value chain

1. Stabilize profit in existing businesses	<ul style="list-style-type: none"> Clarify and enhance functions Establish an optimal beef production system
2. Expand sales of processed food products in North America and the ASEAN region	<ul style="list-style-type: none"> Develop alternative proteins and new processed food products, in addition to chicken based processed products
3. Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas	<ul style="list-style-type: none"> Stabilize profit Construct a strong supply chain

Expand production and sales opportunities in Japan and overseas while strengthening our income base.

Our basic strategies under Medium-Term Management Plan 2023 are to stabilize the profit of existing businesses, expand sales of processed food products in North America and the ASEAN region, and build a new profit pillar by formulating and implementing growth strategies focused on promising areas.

While strengthening stable income streams from existing businesses through structural reforms, we will also expand sales to Japan and in local markets. These efforts will be paralleled by human resource development initiatives and measures to strengthen governance.

Stabilize profit of existing businesses

We will stabilize profits by clarifying and strengthening functions across the entire value chain. We will then review the status of each company with a view to improving ROIC and investment efficiency.

We will take steps to reduce production and processing costs, especially through the improvement of the production yields of our beef businesses in Australia and Uruguay. At the same time, we will work to stabilize profit by developing and selling high-added-value products, resulting in the establishment of a production structure that will allow us to adapt flexibly to changes in the fresh meat market. We will also expand exports from Uruguay to Japan and other markets by widening

our sales channels.

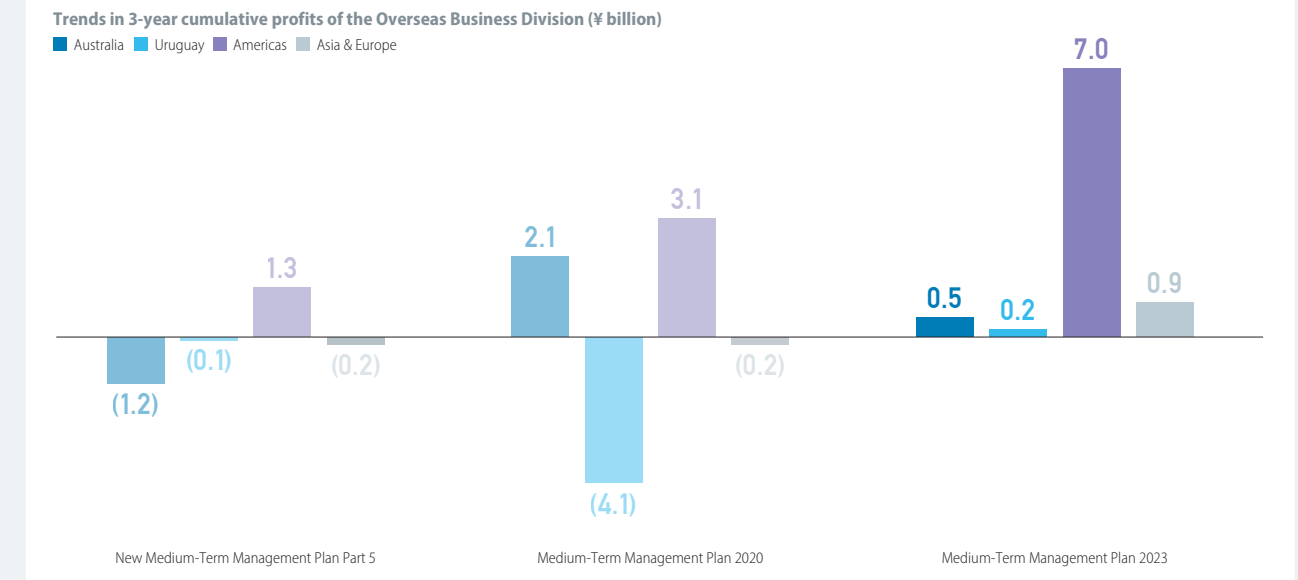
In Turkey, too, we will further reduce production and processing costs for the chicken business, while modifying business portfolios that are currently weighted toward low-profit businesses. In addition, we will again review the required capital expenditure with the aim of reducing the fixed costs of manufacturing operations.

Expand sales of processed food products in North America and the ASEAN region

We aim to expand our processed food sales by targeting sales growth in the North American market through development and introduction of new products to meet customer needs in the continually expanding U.S. ready meal market. This will require further enhancement of business infrastructure, including improvements in our product development and manufacturing capabilities, and the expansion of sales channels. Particular priorities in the North American market include the expansion of sales of processed foods developed using Japanese technology, especially for our flagship *Crazy Cuisine* brand. We will also work to expand our share of the market for commercial products. In addition, we plan to carry out consumer surveys as the basis for the development of products that reflect local consumer needs and preferences in each region.

In the ASEAN region, we aim to develop manufacturing bases to

Management targets



supply products reliably to Japan, while at the same time expanding sales in local markets by developing and launching products that match demand in Southeast Asian countries.

Build a new pillar that generates profit by formulating and implementing growth strategies focused on promising areas

Free trade agreements have the potential to trigger major changes in the markets for processed products and processed foods. We are preparing for new business opportunities created by these changes.

Since the trend toward free trade is expected to lead to increases in fresh meat import volumes, we will move forward with strategic initiatives to expand sales in Japan. To achieve that, we will work with the Fresh Meats Business Division to enhance our procurement capabilities.

We will also develop new export markets for fresh meat and increase our development efforts in step with demand in each country and region. In the Americas, the EU and other regions, we plan to strengthen our capacity for exporting pork to Japan.

The expansion of world demand for beef could lead to escalating competition for access to supplies. We will develop new supply sources in various countries to ensure that we can continue to export of beef reliably to Japan.

We will fulfill our social responsibilities by engaging in business sustainably

We will work to support and enrich the lives of people worldwide through food by developing and supplying safe, reliable products and services, while respecting the culture, customs, history, and laws of the countries and regions in which we develop our overseas businesses.

Our plan for contribution to a sustainable global environment, in which we have identified five material issues, calls for efforts to quantify the environmental impact of our business activities at overseas, and for the further reduction of our greenhouse gas emissions. We will also make preparations for the disclosure of environmental impact data from our overseas companies engaged in livestock breeding and manufacturing activities.

We aim to ensure reliable procurement and supplies of protein by promoting CSR-based procurement and building strong relationships with suppliers.

We will use our unique capabilities as a food company to contribute to social and community enrichment. In addition, we will help our employees to achieve growth by further enhancing our training and education system. We will continue to adapt proactively to the diversification of people, food, and health needs.

Baseball Club Business

Creating financial and social value through baseball



Profit expansion strategy centering on the Hokkaido Nippon-Ham Fighters and a new stadium

Harmony with local communities has been a focus for the Hokkaido Nippon-Ham Fighters and their stadium since the team's relocation to Japan's northern island of Hokkaido. The NH Foods Group sees operation of the team and the stadium as part of its commitment to Co-creation and shared prosperity with local communities and society as a whole through food and sports.

Usage charges at the present stadium cost over one billion yen per year. In addition, revenue from billboard advertising, food and beverage sales, and other sources at the stadium is not attributable to NH Foods, while income from goods is subject to royalty payments. These and other factors have made the development of a long-term growth strategy difficult. In addition, the baseball business was only able to remain in surplus because NH Foods Ltd. contributed ¥2.7 billion last year, including advertising fees.

The sales scheme will change dramatically at the new stadium. With

new revenues from advertising, sales of goods, and other sources, the business will move from losses to profitability at the consolidated level.

We have established the Hokkaido Ballpark F Village scheme to carry out community development activities, including the development of the area around the ballpark, in ways that will also contribute to the achievement of the SDGs. Our aim is to achieve shared prosperity with local communities and support regional development through sport entertainment.

About one-third of the total area of land will be developed by the time of the opening of the new ballpark in the spring of 2023. The remainder will be developed in five four-year stages over the 20 years between the opening and 2042. This approach is based on the "Shared Creative Space" concept, which will allow us to enjoy the process of driving prosperity in step with changes in the social environment. Our ongoing challenge will be to go beyond baseball into the realm of community development.

Anticipated business returns from the new Ballpark

Item	Revenue category	Business environment		Remarks
		Today	New ballpark	
Business-consumer (B-C)	Ticket income	△	◎	The current stadium is used for both baseball and soccer. It lacks atmosphere during baseball matches because of the gap between the players and the crowd, which is the widest in the world. In addition, because the seating is all uniform, it is not possible to offer diverse viewing environments.
	Goods income	×	◎	Currently commissions of 30% or higher are levied on sales of team and player goods. There will be no such commissions in the new stadium.
	Food and beverage income	×	◎	We are unable to provide any food and beverages in the present stadium. In the new stadium it will be possible to develop a presence as a team owned by a food manufacturer.
	Other B-C business income	△	◎	Other income will include fan club revenues. With a company-owned ballpark, we will have greater freedom to offer special services to fan club members.
Business-business (B-B)	Sale of broadcasting rights	○	◎	Because the new ballpark will be owned by NH Foods, there will be greater freedom for the positioning of cameras and other equipment for television and Internet broadcasting, resulting in dramatically improved television coverage. Another positive will be the opportunity to create WEB content, including content for social networking services.
	Advertising income	×	◎	Income from sponsor advertisements in the stadium has not been attributable to NH Foods in the existing stadium. In the new stadium, NH Foods will receive all advertising income. In addition to billboards, there will also be greater freedom to provide other types of advertising, resulting in even more advertising income.
	Other B-B income	○	○	There will be additional income from game licensing, and from companies that use team logos and mascots for product promotions.

New stadium to be financed by sustainability bonds

The aim of the new Hokkaido Ballpark F Village project is not simply to build a ballpark, but to put down roots in the Hokkaido community and work with all stakeholders to create a space that will symbolize the region. We want this space to become a focus of pride and affection for the citizens of Hokkaido, and a starting point for sustainable community development.

The new stadium will also have important social value as an evacuation center in times of emergency. In addition, the stadium will feature an eco-friendly design that will reduce energy consumption and resource use.

Recognition for these efforts includes a 5 star ranking under the DBJ Green Building certification system, which is administered by the Development Bank of Japan to support real estate projects and businesses that have shown care for society and the environment.

Thanks to this recognition, we were able to implement the NH Foods Group's first sustainability bond issue to fund or refinance expenditure relating to the construction of the new ballpark. Sustainability bond issues are used exclusively to fund initiatives to alleviate environmental and social issues, and projects designed to

produce positive outcomes. The pursuit of sustainability is identified as a management policy in the Group's Medium-Term Management Plan 2020, which covered a three-year period starting in fiscal year 2018. The allocation of funds from the parent company bond issue to the construction of the new stadium aligns with our commitment to working toward environmental and social sustainability.

Overview of NH Foods Ltd. sustainability bond

Issuance period	10 years
Amount	¥10 billion
Issue date	February 2021
Lead manager	SMBC Nikko Securities Inc. (administration) Nomura Securities Co., Ltd.
Sustainability bond structuring agent ^{*1}	SMBC Nikko Securities Inc.

^{*1} This party supports the execution of sustainability finance by creating the financing framework and providing advice about related matters, such as obtaining second-party opinions.

Reporting of allocation of funds

Amount raised^{*2}

¥9,949 million

Amount allocated^{*3}

¥7,900 million

Balance to be allocated^{*4}

¥2,049 million

^{*2} This is the amount of the parent company bond issue minus issuing expenses.
^{*3} The entire amount has been allocated to refinancing.
^{*4} The balance to be allocated is being managed as cash and cash equivalents.

Impact reporting

Green project	<p>Qualifying category: Green building</p> <p>Acquired 5-star ranking under the DBJ Green Building certification system.</p>
Social project	<p>Qualifying category: Improvement of access to essential services</p> <p>There are plans to install the following facilities.</p> <ul style="list-style-type: none"> ● Multi-purpose toilets ● Parking places for people in wheelchairs ● Viewing spaces for people in wheelchairs ● Viewing spaces for people with guide dogs ● Slopes ● Escalators by the large staircase on the third-base side ● Storage areas containing emergency food supplies and free toys for children ● Multilanguage signage in city parks

The compliance of this reporting with the Sustainability Finance Framework has been reviewed by Sustainalytics.
 (https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nh-foods-ltd.-sustainability-bond-annual-review.pdf?sfvrsn=108a03b0_1)